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Strategic Planning – *Return* or *Loss* on investment?

Fall is upon us and for many companies that means embarking on a process to plan out the future. As this endeavor gets kicked off, managers wonder how much time they will be forced to spend in off-site meetings and conference rooms adding to their already overflowing work schedule. While approaches to strategic planning vary, most companies spend a significant amount of man-hours planning for the coming year; hence it's a significant investment. As such, it's surprising how few best practices exist for how companies can optimize this investment towards creating a tangible ROI.

While executives know strategy is important, it's also intimidating because strategy is about making choices. Not only do management teams have to deal with assumptions and probabilities as to what future scenarios may look like, but they also must cut off possibilities; potentially a scary proposition as those decisions can have career implications if they turn out wrong. However, these actions are certainly a key part of an executive's role and by not doing so will always result in a lack of direction, being caught off guard thereby triggering constant firefighting.

It is difficult to take time out, step back from day-to-day activities and look at the business from the outside in. Because of today's time constraints, many teams are not excited to start the planning process even though it is an opportunity to influence a company's direction. Furthermore, strategic planning can mean different things to different people. For example, ownership might want to see a ten-year plan while management has a hard time forecasting the next quarter. Staging the phases can also be trying: what is the right level of preparation, discussion and synthesis to yield a productive outcome particularly with the pressure to cram everything into a couple of months? Moreover, many planning sessions end with intricate spreadsheets that capture every conceivable financial variable while the simple truth is that financials are only an output of prior decisions and actions. While projections may look great in the boardroom, they do little to move the business forward. The linkage between consciously planned action and outcome is vital to understand as this is often the hidden flaw of strategic planning: too much time spent on research and modeling and not enough on debating and outlining the execution plan. Last but not least, an arduously developed plan may remain closely held by the executive team or get thrown over the wall to the front lines for implementation without much buy-in. In this scenario the risk is high for a rocky start or even complete abandonment of the plan with the appearance of the slightest hurdle or change. All these factors contribute to the mediocre ROI that's commonly witnessed in strategic planning.

At the most basic level, the reason we plan strategy is to orient ourselves, make choices and set targets. This is and will always be a dynamic, ongoing process without an end point. The excessive focus on a once a year planning period is sub-optimal because in today's interconnected global environment change is rapid and major events happen during this extended period that need to be considered in light of a company's direction and resources. Also as has been well documented by the authors of *Blue Ocean Strategy*, true insights that can guide us build over time and cannot be force fed into a tight predetermined time frame. Therefore, cramming lengthy strategy meetings into the last quarter of the year just to have something in hand no matter how rushed on January 1 does not make sense.

A nimbler approach needs to be adopted that combines the interdependence of planning and execution into one process while separating long term strategy formulation from next year's budget. This involves committing to a longer time horizon during which the framework will not change – such as for 3 years – to avoid succumbing to the 'flavor-of-the-year' syndrome. Strategic planning is a true investment and should be evaluated in the same way we acquire equipment or software that will be in place for several years. In addition, holding shorter but more frequent review/plan/adjust sessions every 3-6 months enables much improved alignment in changing environments. This 'rapid planning' approach enables teams to strategically refocus based on recent information and a fresh outlook with much improved continuity, cadence and engagement which ultimately creates speed, reinforces nimbleness and reduces risk.

When enacting this nimbler 'rapid planning' approach, it's important to thoughtfully outline the long-term framework encompassing purpose, ground rules and participation.

- **Purpose** is about defining the targeted outcomes and the process steps in the simplest terms so the team understands up front what these rapid strategic planning sessions are all about. Companies should create their own term for this process so it's part of their culture and identity and eliminates the various negative stigmas associated with the term 'strategic planning' while generating commitment to their own approach.
- Reinforcing the **Ground Rules** that tie to the framework is equally important. Specifically the team must be open to ambiguity and uncertainty since strategy making is a creative undertaking that gets better with experience and is never a 'once and done'

project. Also, emphasizing that these sessions are less about the amount of time spent on planning but rather the essence of choice and the quality of the process is essential.

- Using the process as both a motivational opportunity to rally people around growth goals as well as a team building opportunity of **Participation** well beyond the executive team presents unique developmental opportunities for middle managers and high potential staff. Cross-functional mini-projects in-between or as preparation for the rapid sessions provide distinct teaming, coaching and growth opportunities to cement much broader commitment, communication and engagement.

With a framework in place that should remain consistent for years to come, the actual steps of the rapid process can be divided into three parts:

- **Analysis**: understanding where the business is today based on customers, trends, competitors and what assumptions can be made about the future. Reviewing past assumptions is a valuable way to learn and improve team decision making over time.
- **Choice**: outlining what options exist and balancing those between the vision for the company and the practical realities in which it operates. This portion is iterative with a focus on fleshing out ideas and progressively narrowing them into a preferred option or making adjustments to the current path.
- **Execution**: associating a robust implementation plan with the pursuit of the selected choice. A simplified financial model outlines the 3-year projection – ideally on a rolling basis – not with accuracy but with a directional view that includes an investment schedule in support of the strategy.

Facilitators can act as an external guide in the rapid process to encourage dialogue, elevate the discussion, navigate conflict and build cohesion towards productive outcomes. However, in today's world simply bringing in a coach or planner to the process is not sufficient. Facilitators need to be informed actors with an understanding of the business and broader context such as the market and competitors in order to be effective.

Much like CEOs have to deal with opposing forces that create tension such as delivering this quarter's results while pursing long term competitive advantage, perfection does not exist in strategy. The most successful companies have a clear focus and direction that spells out what the company will do and not do. However new choices based on threats and opportunities appear regularly and the outlined nimbler planning approach presents a framework to handle them so resources are optimally deployed. While it may be daunting to improve your current strategic planning process, the key is to put a stake in the ground because every company should have a positive ROI on strategic planning.

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